



# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



## Joint Finance/Supply PRC

## Ongoing Financial Initiatives

WARFIGHTER SUPPORT ENHANCEMENT

STEWARDSHIP EXCELLENCE

By Bob Hammond

WORKFORCE DEVELOPMENT



# Outline

- Purpose of Briefing
- PDC 1035 - Increased Frequency of Interfund Billing (Withdrawn)
- Intragovernmental (IGT) Financial Eliminations
  - DoD Material Weakness
- Draft Proposed FMR Change - Receipt and Acceptance
  - FMR Vol. 4, Ch. 9, Para. 090201
- Treasury Direct Disbursing
- Invoice Processing Platform/Collaborative Agency WG



# Purpose

- Provide situational awareness of ongoing initiatives
- Perspective of the DoD Finance Process Committee (FPRC) Chair
  - Cross functional subject matter expert evaluation needed
- Potential topics for near-term focused FPRC meetings



# **PDC 1035 - Increased Frequency of Interfund Billing**

- Treasury Commissioner Memorandum January 14, 2011 goals:
  - Improve Accuracy of daily Funds Balance with Treasury
  - Eliminate Monthly Reporting
  - Move Toward Daily Reporting
- **PDC 1035**
  - Staffed to allow frequent Interfund reporting to Treasury vice monthly
  - Components and Agencies, in coordination with their Supporting Central Accounts Offices determine proposed frequency of reporting
  - Withdrawn at the request of OUSD(C) sponsor pending analysis of an initiative to centralize reporting to Treasury via Defense Cash Accountability System



# Intragovernmental (IGT) Financial Eliminations

- DoD Material Weakness - DoD IG Finding (<http://www.dodig.mil/Audit/reports/fy10/10-002.pdf>)
- Managerial Cost Accounting Concepts and Standards for the Federal Government
  - Inter-entity expenses or assets and financing sources should be eliminated for any consolidated financial statements covering both entities
- DOD FMR, Volume 6B, Chapter 13
  - All DOD reporting entities are required to report intragovernmental account balances in their financial statements and eliminate appropriate intra-DOD balances

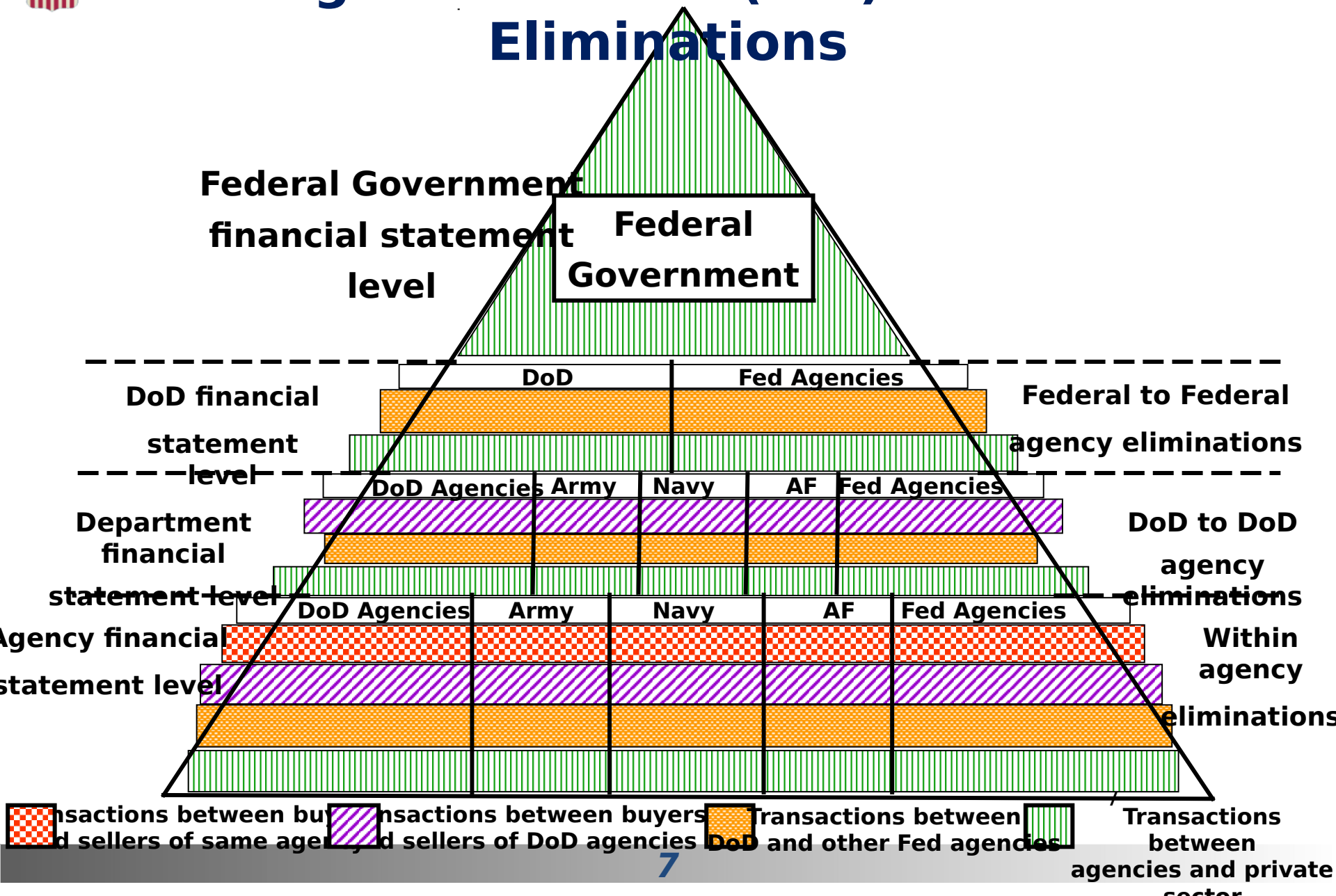


# Intragovernmental (IGT) Financial Eliminations Continued

- DoD IG Findings
  - DOD cannot accurately identify most of its intragovernmental transactions by customer because DOD systems do not track the buyer and seller data needed to match related transactions
  - DOD is unable to fully reconcile intragovernmental transactions with all Federal partners
  - DOD acknowledged its inability to reconcile most intragovernmental transactions results in adjustments that cannot be fully supported



# Intragovernmental (IGT) Financial Eliminations





# Intragovernmental (IGT) Financial Eliminations Continued

- Topic deferred from 2011 Finance Process Review Committee (FPRC) and from FPRC Standard Financial Information Structure & Government – Wide Accounting Interfund Working Group
- Focused FPRC briefing may be beneficial to determine if Interfund billing or logistics processes contribute to this material weakness
  - Determine if process changes are needed
  - What can we do to help?





# Draft Proposed FMR Change Vol. 4, Ch. 9, Para. 090201 Receipt and Acceptance

- OUSD(C) Draft in Coordination
  - Accounts payable must be supported by receipt and acceptance
  - Clarifies receipt and acceptance
  - IPAC bill initiated by buyer vice seller per Treasury guidance
    - o [Treasury Financial Manual Bulletin No. 2013-04, Attachment 2 , Intragovernmental Transaction \(IGT\) Guide, Section 9.1.2.2 , "Roles and Responsibilities"](#)



# Treasury Direct Disbursing

- Concept discussed for “Target Environment” - in ADC 435
  - DLMS Revisions for Standard Financial Information Structure (SFIS) (Supply/Finance)
- OUSD(C) Current Initiative (P2PPAWG #17)



# Invoice Processing Platform/Collaborative Agency WG

- OUSD(C) Strategic Initiative
- Targets Financial Eliminations
- Includes Treasury Direct Reporting via IPAC
- Relates to Interagency Agreement; former IVAN
- Collaborative Agency Working Group formed
  - OUSD(C)/Treasury Leading
  - USMC at the Leading Edge



# Invoice Processing

## Platform/Collaborative Agency WG

### Continued

- Out of Scope
  - IPP IGT will look to address Intragovernmental transactions within DoD only, level II and III. Once IPP IGT is proven within DoD IPP IGT will be looked for DoD to Non-DoD transaction, or level I. Also, out of scope for the near-term are:
    - o Interfund
    - o Advance Payments
    - o Assisted acquisitions
    - o Transportation
    - o Purchase Card
    - o Fuel
  - NOTE: While the aforementioned are considered reimbursable activities, these reimbursable types are currently not supported within the IPP IGT solution scope due to their specific process and data needs. These transactions will be addressed at a later date yet to be determined.



# Invoice Processing Platform/Collaborative Agency WG Continued

- Potential Logistics Implementation Challenges:
  - Logistics transactions occur outside of IPP
    - o All federal agencies (including DOD) use hundreds of thousands of DLMS/MILSTRIP/FEDSTRIP transactions per month to buy from each other, regardless of the method of payment (e.g. Interfund, IPAC)
    - o These transactions (e.g. requisition, auto pass to seller to fill from stock/vendor/lateral redistribution, partial fill, ship/split ship, cancel, receive, acknowledge receipt, report discrepancy, bill, credit adjustment, etc.) all occur outside of IPP and are all needed to support the ultimate bill (500+ MILS/66 DLMS)
    - o Transactions are integrated and highly automated; triggered via standard processes and business rules and are subject to DAAS validation edits
    - o Acceptance completed in Wide Area Workflow today
    - o Integrating/replicating this data into IPP may be problematic



# Invoice Processing

## Platform/Collaborative Agency WG

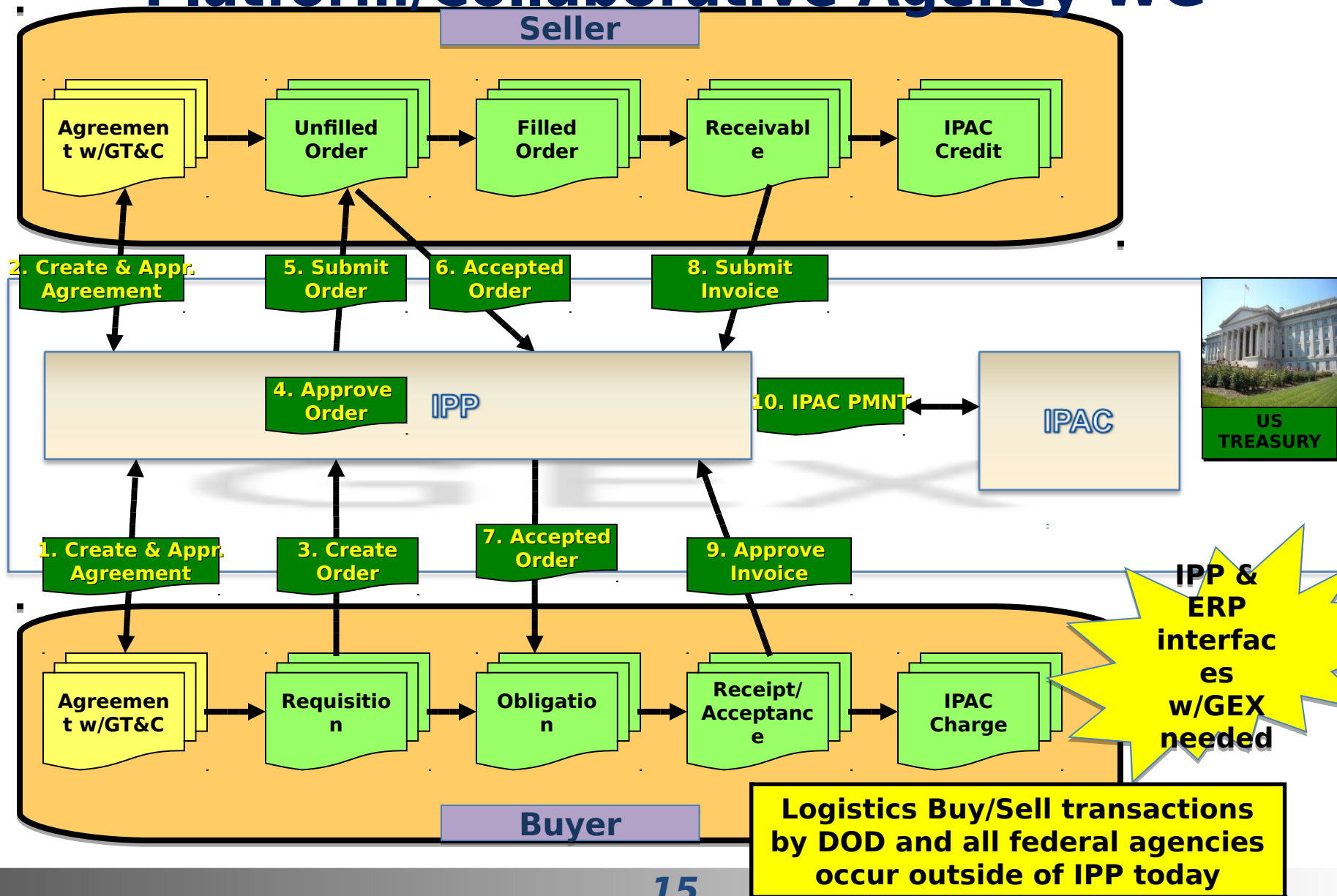
### Continued

- Logistics Potential Implementation Challenges (continued)
  - Bill after receipt for stock items vice upon issue
    - o Stock items may be billed/revenue recognized upon issue, per FMR 1102.
    - o Overall DOD March 2013 Material Receipt Acknowledgement (MRA) was 78.4%,
    - o Relying on MRA and shifting responsibility from seller to buyer for billing may result in immediately universal seller insolvency
  - Feasibility, data standards/mapping, business rules, interoperability, systems, roles & responsibilities, governance; potential warfighter impacts, cost will need to be considered going forward
  - Investment Review Board (IRB) model may be useful in assessing existing systems capability, integration, costs and milestone decisions



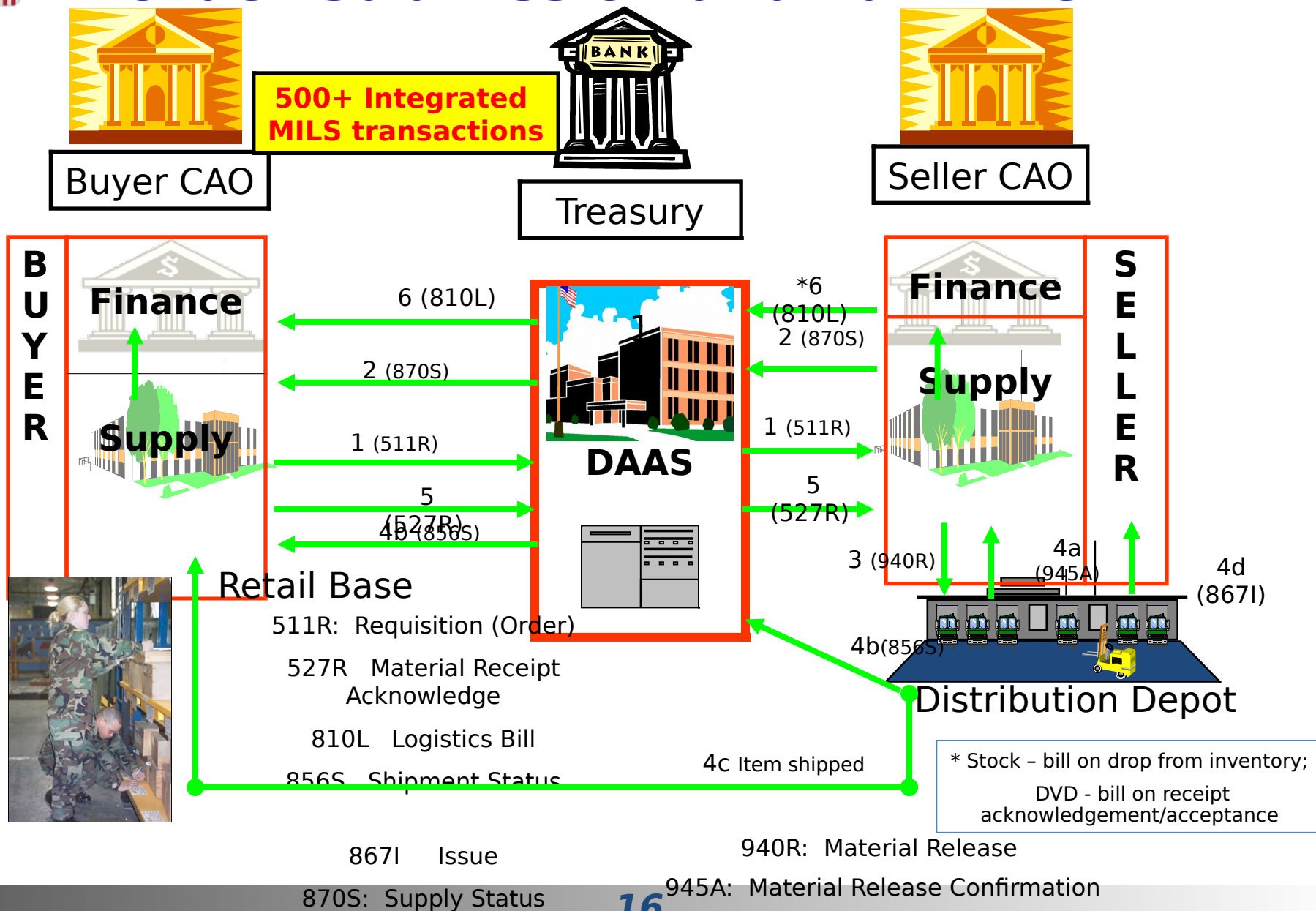
# Invoice Processing

## Platform/Collaborative Agency WG





# Order Submission and Fulfillment







# Billing and Discrepancy Report Adjustment Requests and Replies



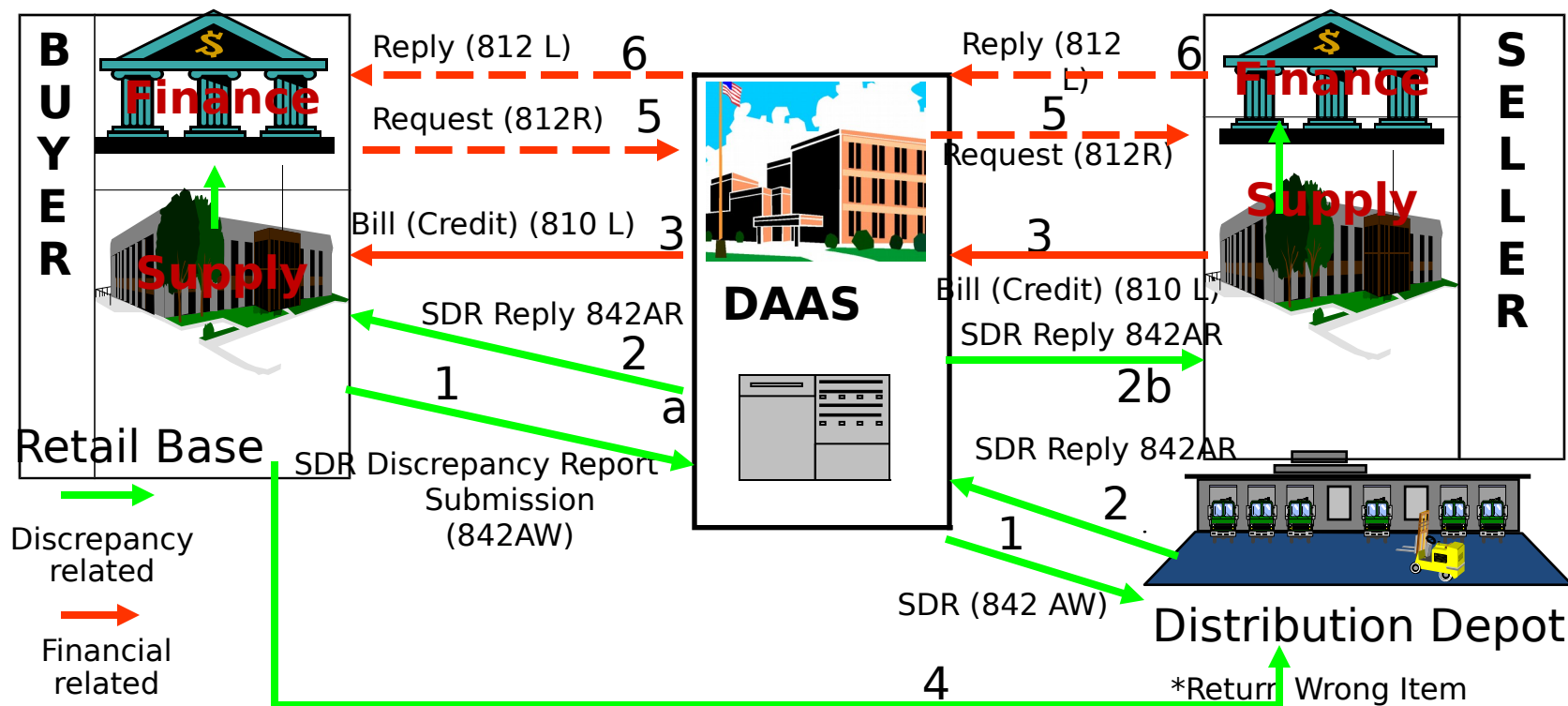
Buyer CAO



Treasury

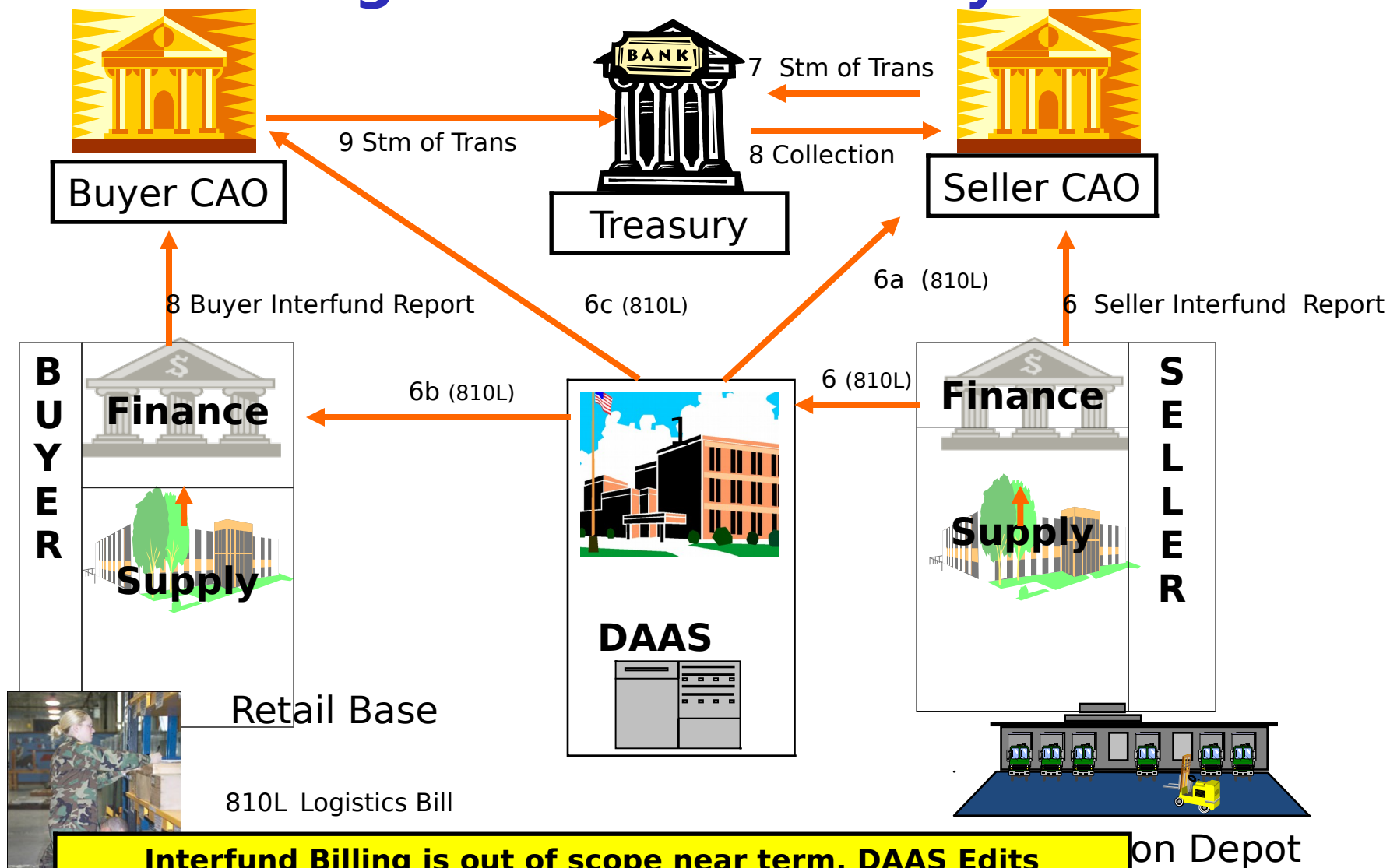


Seller CAO





# Billing and Interfund Payment





# Backup

## DOD 7000.14-R, VOLUME 11B, CHAPTER 11, § 1102

### REVENUE RECOGNITION

*{Intervening text not shown}*

110202. Policy

*{Intervening text not shown}*

C. Activities in the Supply Management activity group shall recognize revenue, and related costs, when an item is dropped from inventory for sale or other revenue generating disposition.

*{Intervening text not shown}*

E. Activities in the Distribution Depots activity group shall recognize revenue, and related costs, based on one of the following events:

<u>Event</u>	<u>Revenue Recognized Upon</u>
Receipt of Items	Receipt of an Item
Issuance of Items	Issuance of an Item